

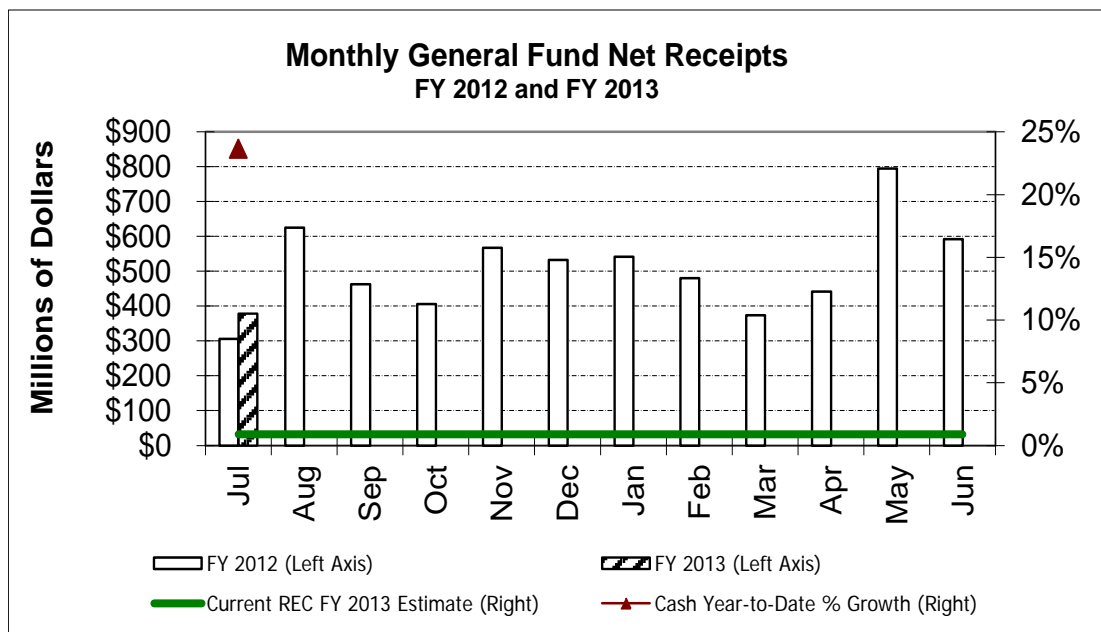
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: August 1, 2012

Monthly General Fund Receipts through July 31, 2012

The attached spreadsheet presents FY 2013 General Fund total net receipts with comparable figures for actual FY 2012. The figures can be compared to the FY 2013 estimate of \$6.193 billion set by the Revenue Estimating Conference (REC) on March 23, 2012. The FY 2013 estimate is an increase of \$53.9 million (0.9%) compared to actual FY 2012 total net receipts (excludes transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

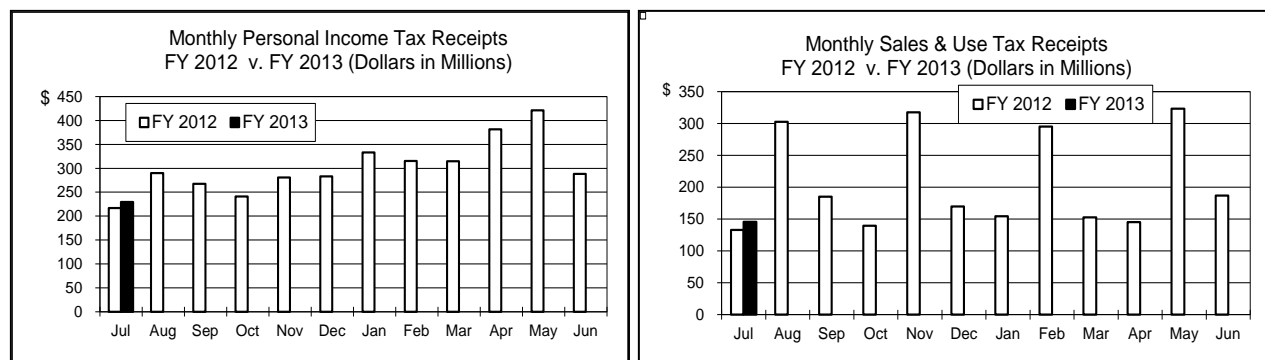
July 2012 net General Fund revenue was \$72.3 above (23.6%) the July 2011 revenue level. July 2011 ended on a weekend which can account for a portion of the significant increase when comparing FY 2013 to FY 2012. Major sources of tax revenue and their contribution to the July 2012 change include:

- Personal income tax (positive \$12.8 million, 5.9%)
- Sales/use tax (positive \$12.8 million, 9.6%)
- Corporate tax (positive \$23.3 million, 101.3%)

- Other taxes (positive \$1.0 million, 7.1%)
- Other receipts (positive \$6.8 million, 38.4%)
- Tax refunds not including school infrastructure refunds (positive \$18.4 million)
- School infrastructure sales/use tax refunds (negative \$2.7 million)

Personal Income Tax revenue received in July totaled \$229.7 million, an increase of \$12.8 million (5.9%) compared to July 2011.

The FY 2013 REC income tax estimate of \$3.787 billion represents a projected increase of 4.2% compared to actual FY 2012. By subcategory, withholding payments increased by \$7.7 million (4.1%), estimate payments increased \$6.1 million (25.8%), and payments with returns decreased by \$0.9 million (-14.9%). The following chart compares FY 2013 monthly income tax receipts from the three personal income tax subcategories with FY 2012.



Sales/Use Tax receipts received in July totaled \$145.8 million, an increase of \$12.8 million (9.6%) compared to July 2011.

The REC estimate for FY 2012 sales/use tax receipts is \$2.538 billion, an increase of 1.3% compared to actual FY 2012. The preceding chart compares FY 2013 monthly sales/use tax receipts with FY 2012.

Corporate Tax receipts received in July totaled \$46.3 million, an increase of \$23.3 million (101.3%) compared to July 2011.

The REC estimate for FY 2013 corporate tax revenue is \$511.3 million, a decrease of 1.8% compared to actual FY 2012.

Other tax receipts received in July totaled \$15.1 million, an increase of \$1.0 million (7.1%) compared to July 2011.

The REC estimate for FY 2013 other tax revenue is \$347.7 million, a decrease of 2.1% compared to actual FY 2012.

Other receipts (non-tax receipts) received in July totaled \$24.5 million, an increase of \$6.8 million (38.4%) compared to July 2011. Timing of liquor profit and miscellaneous receipt deposits accounted for the increase and will likely reverse in August.

The REC estimate for FY 2013 other receipts revenue is \$338.2 million, a decrease of 5.2% compared to actual FY 2012.

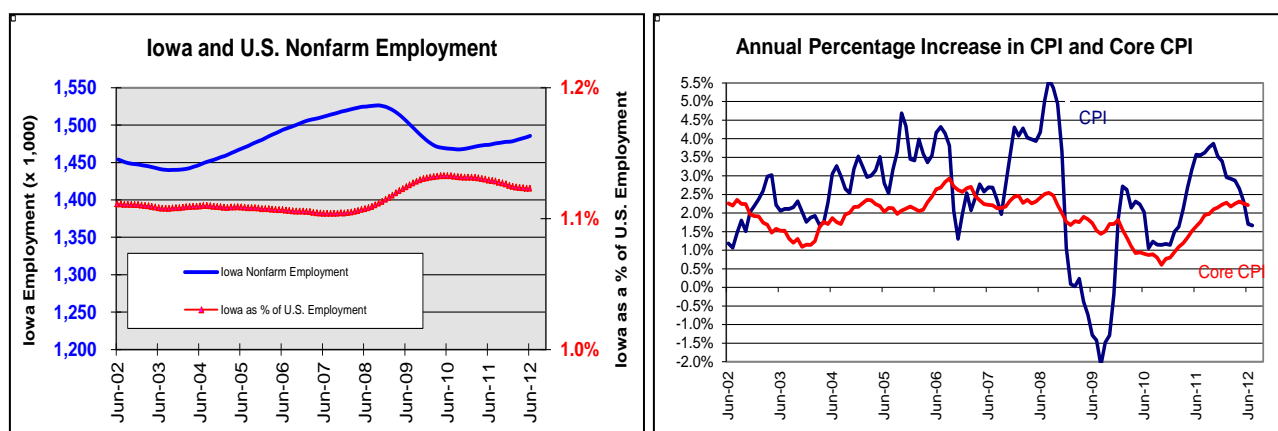
Tax Refunds issued in July totaled \$28.5 million, a decrease of \$18.4 million (-39.2%) compared to July 2011. In addition, school infrastructure refunds totaled \$54.7 million in July, an increase of \$2.7 million compared to July 2011.

Status of the Economy

Iowa nonfarm employment was reported at 1,508,700 for the month of June (not seasonally adjusted), 19,900 higher (1.3%) than June 2011.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,485,700, resulting in an annual average Iowa nonfarm employment level 40,700 below the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since that time, Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment.



The Consumer Price Index (CPI-U) through June 2012 was 229.5 (1983/84=100). Consumer prices decreased 0.1% in June (not seasonally adjusted) and the annual rate of inflation remains at 1.7% for the second consecutive month.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in June and totals 2.2% year-over-year. The annual rate of core inflation decreased for the second consecutive month, and the third time in the past five months. For the two components excluded from the core rate, energy prices are down 3.9% year-over-year while food prices are up 2.7%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2012 vs. FY 2013 July 1 through July 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 12 Actual Compared to FY 13 REC Estimate		
	FY 2012	FY 2013	Year to Date % Change	July % Change	Actual FY 2012	Estimate FY 2013	Projected % Change
Personal Income Tax	\$ 216.9	\$ 229.7	5.9%	5.9%	\$ 3,634.3	\$ 3,786.7	4.2%
Sales/Use Tax	133.0	145.8	9.6%	9.6%	2,505.3	2,538.3	1.3%
Corporate Income Tax	23.0	46.3	101.3%	101.3%	520.7	511.3	-1.8%
Inheritance Tax	5.1	5.8	13.7%	13.7%	77.6	79.9	3.0%
Insurance Premium Tax	1.0	0.9	-10.0%	-10.0%	101.4	102.4	1.0%
Cigarette Tax	0.0	0.0	0.0%	0.0%	103.2	93.5	-9.4%
Tobacco Tax	2.5	2.5	0.0%	0.0%	16.3	16.1	-1.2%
Beer Tax	1.4	1.7	21.4%	21.4%	14.2	14.4	1.4%
Franchise Tax	4.1	4.2	2.4%	2.4%	41.5	40.3	-2.9%
Miscellaneous Tax	0.0	0.0	0.0%	0.0%	1.1	1.1	0.0%
Total Gross Taxes	\$ 387.1	\$ 436.9	12.9%	12.9%	\$ 7,015.6	\$ 7,184.0	2.4%
Institutional Payments	1.7	1.0	-41.2%	-41.2%	13.0	15.3	17.7%
Liquor Profits	2.5	8.3	232.0%	232.0%	94.6	93.5	-1.2%
Interest	0.2	0.2	0.0%	0.0%	2.4	3.0	25.0%
Fees	1.8	2.0	11.1%	11.1%	29.1	20.9	-28.2%
Judicial Revenue	9.5	8.9	-6.3%	-6.3%	113.8	112.0	-1.6%
Miscellaneous Receipts	2.0	4.1	105.0%	105.0%	37.7	27.5	-27.1%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	66.0	66.0	0.0%
TOTAL GROSS RECEIPTS	\$ 404.8	\$ 461.5	14.0%	14.0%	\$ 7,372.3	\$ 7,522.2	2.0%
Accrued Revenue-Net*					16.6	15.1	
Tax Refunds **	-46.9	-28.5	-39.2%	-39.2%	-841.5	-919.0	9.2%
School Infrast. Refunds **	-52.0	-54.7	5.2%	5.2%	-407.9	-424.9	4.2%
TOTAL NET RECEIPTS	\$ 305.8	\$ 378.3	23.7%	23.6%	\$ 6,139.5	\$ 6,193.4	0.9%
<p>* The FY 2012 "Accrued Revenue-Net" is currently estimated.</p> <p>** For FY 2012 and FY 2013 Year-to-Date columns, refunds are presented on a cash basis. For FY 2012 Actual and FY 2013 Estimate, refunds are presented on a fiscal year basis.</p>							